GOVERNMENT OF NEWFOUNDLAND AND LABRADOR
DEPARTMENT OF FISHERIES

SMOKED FISH PRODUCT MARKET STUDY

INDUSTRY SUPPORT SERVICES REPORT NO. 35

JULY, 1987

Smoked Fish Product Market Study

Prepared for: Department of Fisheries
Government of Newfoundland and
Labrador

Prepared by: Research Associates

July, 1987

TABLE OF CONTENTS

Page

Executive Summary i

SECTION ONE: INTRODUCTION 1

1.1 Introduction 1
1.2 Study Methodology 1
1.3 Report Structure 2

SECTION TWO: THE SMOKED FISH PRODUCTION SECTOR SURVEY RESULTS 4

2.1 Introduction 4
2.2 Production Quantities by Product 4
2.3 Plant Capacities and Utilization 6
2.4 Raw Material Sources 7
2.5 Production and Packaging Costs 7
2.6 Existing Market Structure 10
2.7 Marketing Practices 12
2.7.1 Pricing 12
2.7.2 Packaging 12
2.7.3 Branding 12
2.7.4 Promotion 14
2.7.5 Sales Effort 14
2.7.6 Salient Factors in Purchase Decision 14
2.8 Trends and Direction in the Smoked Fish Industry .. 15
2.8.1 Central Marketing and Uniform Logo 15
2.9 Summary of Production Sector 16

SECTION THREE: QUEBEC AND ONTARIO MARKET 18

3.1 Introduction 18
3.2 Market Size and Market Share by Source 18
3.2.1 Smoked Salmon 19
3.2.2 Smoked Cod 27
3.2.3 Smoked Herring/Kippers 27
3.2.4 Smoked Mackerel 28
3.2.5 Smoked Char 28
3.2.6 Other Smoked Products 29
3.2.7 Market Destination 29

TABLE OF CONTENTS (CONTINUED)

3.3 Salient Factors in Selecting Source 30
3.4 Relative Strengths and Weakness of Market Participants 31
3.5 Promotion Practices of Market Participants 33
3.6 Trends in Smoked Fish Industry 35

SECTION FOUR: MARKETING STRATEGY 36

4.1 Introduction 36
4.2 Existing Market Situation Review 36
4.3 Marketing Objectives and Marketing Strategy 37
4.3.1 Marketing Objectives 37
4.3.2 Marketing Strategy 38

4.4 Industry Organization 42
4.5 Marketing Mix 45
4.5.1 Marketing Mix 45
4.5.2 Pricing 47
4.5.3 Distribution 48
4.5.4 Promotional Program 48
4.6 Budget 50

APPENDICES

APPENDIX ONE: LIST OF NEWFOUNDLAND PRODUCERS SURVEYED

APPENDIX TWO: LIST OF WHOLESALERS/BROKERS SURVEYED

APPENDIX THREE: SUMMARY OF VERBATIM COMMENTS WHOLESALER/BROKER QUESTIONNAIRE

APPENDIX FOUR: PRODUCER QUESTIONNAIRE

APPENDIX FIVE: WHOLESALER/BROKER QUESTIONNAIRE

Executive Summary

The smoked fish industry contributed $1.46 million to the Province's GDP in 1986, however capacity utilization of the industry was between 14% and 18%. The production effort is dominated by one large processor who produces 73% of the total market by weight and 45% by value. The production values of the remaining industry totaled less than $800,000, of which $509,000 was sold in the Newfoundland market.

There was no evidence of a co-ordinated promotional plan by any of the producers. Continuity of supply, packaging, and pricing were mentioned by producers as the salient factors in the purchase decision.

The Ontario and Quebec markets for smoked fish represents 5.9 million pounds annually, with a value, at wholesale, of $32 million. Salmon represents 51% of the Ontario and Quebec market by volume and 75% by value.

Newfoundland producers hold a 2% share of the Quebec and Ontario markets for smoked fish. Pacific smoked salmon dominates the Ontario and Quebec markets with almost a 90% market share. Atlantic smoked salmon has less than 5% share.

Smoked cod represents 8.9% of the Ontario and Quebec smoked fish market by value. No other species accounts for more than 5% of the market by value. The landed price of Pacific wild salmon is approximately 50% of the Atlantic landed salmon price.

Smoked salmon and char are primary food service products, while smoked cod, herring/kippers, haddock and mackerel are primary retail products. Consistent quality was the factor mentioned by about a dozen buyers as the most important factor in purchasing smoked fish products. Few buyers mentioned problems with the Newfoundland smoked fish product.

The Newfoundland smoked fish industry has not been successful in developing markets outside Newfoundland.

The primary objective of any future marketing program is to increase the value of shipments of Newfoundland smoked fish products to the Ontario and Quebec markets from $0.9 million per annum in 1986 to $5.4 million per annum by 1992. To increase markets for smoked salmon out of Newfoundland it will be necessary to provide a mechanism that will provide sufficient quantities of salmon to the producers.

It is recommended that a private sector organization be recruited to implement the marketing program for Newfoundland smoked fish. The organization would contract with producers for product which met specific quality, quantity, and delivery requirements, brand and/or package the product and sell the products in the Ontario and Quebec markets. Many of the functions of each type of organization would be similar to that of a traditional broker, however, the private sector organization would go a step beyond and take ownership of the product and develop marketing and sales programs, not just sales programs.

A five-year budget of $520,000 is recommended to implement the marketing program. Most of these monies would be earned by the marketing organization which takes on the project. However, some government support will be required, particularly in the early years.

SECTION ONE: INTRODUCTION

1.1 INTRODUCTION

This report contains the results of a study on the smoked fish product market conducted on behalf of the Department of Fisheries of the Government of Newfoundland and Labrador by Research Associates.

The primary objectives of the study as outlined in the Request for Proposals were:

(1) to document the processing activities of the smoked fish processing sector in Newfoundland;
(2) to determine the market characteristics of the smoked fish market in Ontario and Quebec; and
(3) to develop a marketing strategy for the Newfoundland smoked fish production sector.

1.2 Study Methodology

To achieve these objectives, two surveys were conducted. Specifically, a survey of the entire population of known smoked fish producers was completed. In total, nine (9) processors of smoked fish products in Newfoundland were identified and data was collected during personal interviews.

A survey of fifteen (15) brokers/wholesalers, who distribute smoked fish products in Quebec and Ontario, were conducted in Montreal and Toronto. The sample list was obtained from the Fish and Seafood Association of Ontario, the Fish and Seafood Association of Quebec, and from brokers and wholesalers previously identified in the processor survey. Potential respondents were contacted by telephone and a brief screening questionnaire was administered to determine if they qualified for inclusion in the survey. Personal interviews were then pre-arranged.

Secondary data contained in the report were obtained from the Department of Fisheries and Oceans offices at St. John's, Halifax, Moncton, Quebec City and Vancouver; the Department of Fisheries of the Government of Newfoundland and Labrador; the Ministry of Natural Resources of the Government of British Columbia; Statistics Canada; and the Newfoundland Statistics Agency of the Government of Newfoundland and Labrador.

1.3 Report Structure

This report contains four major sections. Section One provides an introduction and Section Two provides an overview of the Province's smoked fish production sector. Section

Three describes the market characteristics of the Quebec and Ontario Market and Section Four contains a marketing strategy which will enhance the future penetration of Newfoundland's smoked fish products in the Canadian market. Appendices are provided and contain supporting data.

SECTION TWO: THE SMOKED FISH PRODUCTION SECTOR SURVEY RESULTS

2.1 Introduction

The analysis of the production sector is based on nine (9) interviews with smoked fish producers in Newfoundland. (The list of producers surveyed is contained in Appendix One.) The producer survey essentially represents a census of the Province's commercial smoked fish producers. Unlicensed processors were not included in the sample frame. All interviews were conducted by personal interview.

This section is further divided into five sub-sections: Production Quantities by Product; Plant Capacity and Utilization; Raw Material Sources; Production and Packaging Costs; Markets; Marketing Practices; and Trends and Direction in Smoked Fish Industry.

2.2 Production Quantities by Product

As can be observed in Table 2.1 and Figure 2.1, the smoked fish industry contributed about $1.46 million to the Province's GDP in 1986. The total volume of production in 1986 was 721,000 pounds, with herring/kippers representing 66% of the total weight produced and 43% of the total production value. Other major species produced in the Province included

cod with 19% of the total production and 26% of the total production value. Salmon represented 5% of the total production and 22% of the production value.

The production effort is dominated by one large processor which produced 73% of the total production by weight and 45% by value in 1986. The production volumes of the remaining eight processors interviewed totaled less than $800,000, of which $500,000 was sold in the Newfoundland market.

Table 2.1

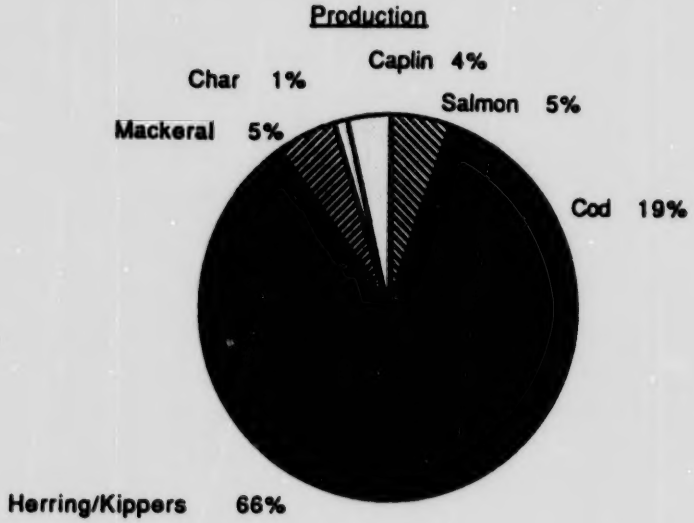
Total Smoked Fish Sold by Species for Newfoundland Producers, 1986

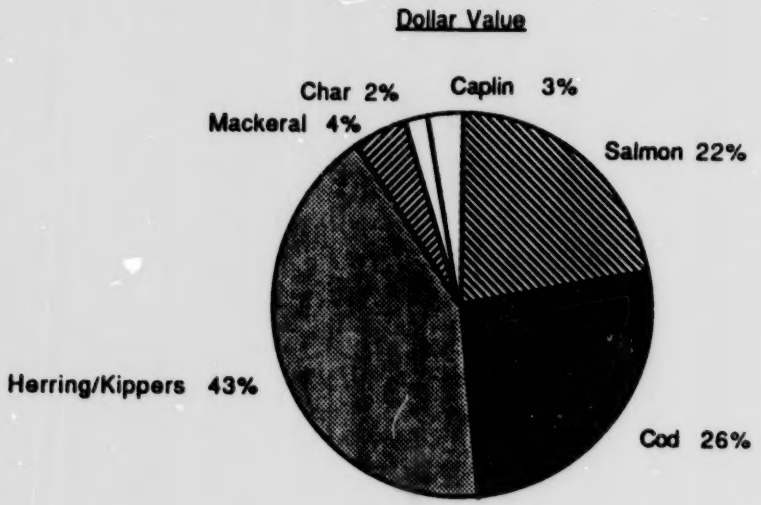
	Value Sold (lbs.)	Percentage of Volume Sold	Value[1] ($/lbs.)	Total Value ($)	Percentage of Value Sold
Salmon	38,642	5	8.30	320,729	22
Cod	135,000	19	2.78	374,625	26
Herring/Kippers	476,555	66	1.30	619,522	43
Mackerel	36,612	5	1.76	64,529	4
Char	5,126	1	5.82	29,816	2
Caplin	27,741	4	1.55	42,999	3
Cold Cod	1,500	a	3.25	4,875	a
Total	721,176[2]	100		1,457,094	100

a. Less than 0.5%
1. Based on average value per pound
2. Total production was 726,706 pounds, but 5,530 pounds were not sold.

Figure 2.1

Newfoundland's Total Smoked Fish Market by Species





Species	Pounds
Salmon	38,462
Cod	136,500
Herring/Kippers	476,555
Mackeral	36,612
Char	5,126
Caplin	27,741
TOTAL	721,176

Species	Value
Salmon	$ 320,726
Cod	379,500
Herring/Kippers	619,522
Mackeral	64,529
Char	29,816
Caplin	42,999
TOTAL	$1,457,094

2.3 Plant Capacities and Utilization

The smoked fish industry in Newfoundland is characterized by substantial excess capacity. Of the nine producers surveyed, five reported a plant utilization rate of 15%. One reported a utilization rate of 75%, two had no production history, and the ninth would not report their plant utilization. Conservatively, the total plant capacity of the existing plants in the Province would be between 4 million and 5 million pounds per annum. With production of 727,000 pounds, the industry utilization rate was in the order of 14% to 18%.

Of the nine producers surveyed, six had fully-automated smoking equipment, while the remaining three employed mechanically operated smoking equipment. The capital values of smoking equipment, supplied by the respondents, ranged from a $5,000 "home-made" unit to a $200,000 "state-of-the-art" smoker.

About half the smoking equipment is operated with a cold smoke process, one used a hot smoke process, and the remainder had equipment which had the capability of smoking while using either a hot or cold process.

A wide variety of wood was used for smoking and wood

availability was not perceived as a problem by the producers.

2.4 Raw Material Sources

Raw material sources was not perceived a problem for cod, herring, mackeral and caplin. While only 5,126 pounds of smoked char was produced, char availability was not mentioned as a constraint on production. However, several producers indicated that salmon availability was a constraint on production.

With the exception of salmon, raw material availability is not a constraint on industry growth.

2.5 Production and Packaging Costs

Production costs, excluding the cost of raw material, varied widely by producer and by species processed. Table 2.2 summarizes the production and packaging costs of the producers surveyed.

Table 2.2

Production and Packaging Cost by Species[1]

Species	Production Cost			Packaging Cost		
	Low ($/lb.)	High $/lb.)	Average ($/lb.)	Low ($/lb.)	High ($/lb.)	Average ($/lb.)
Salmon	1.15	3.25	2.30	0.05	0.65	0.35
Cod	1.75	1.75	1.75	0.05	0.05	0.05
Herring/Kippers	0.50	1.07	0.91	0.05	0.50	0.13
Mackerel	0.50	1.07	0.77	0.05	0.20	0.10
Char	1.30	3.30	1.40	0.05	0.50	0.48
Caplin	0.50	1.14	0.59	0.10	0.50	0.44

1. Excluding raw material cost

Herring/kippers, representing 60% of the total production, was processed at an average cost of $0.91/pound and packaged for $0.13/pound.

Salmon was the most expensive product produced, with an average production cost was $2.30 per pound and an average packaging cost of $0.35/lb. Caplin was produced at an average cost of $0.59 per pound and packaged at an average cost of $0.44/lb.

Packaging costs for all species produced, on average, ranged from $0.05 to $0.48 per pound.

Producers are very reluctant to provide detailed production cost. However, several observations were made in the interviews:

- yield of round weight fish to smoked product was approximately 70%;
- while some producers indicated that gross margins were very small, particularly for smoked cod, lack of markets, rather than poor economics dictated production.

Based on the information available, Tables 2.3 and 2.4 estimate the production costs and operating margins of the Newfoundland smoked fish producers. It should be emphasized that these are estimates only and should not be relied upon without additional analysis.

Table 2.3
Estimates of Gross Margins on Newfoundland Smoked Products

	Estimated Raw Material Cost[1] ($/lb.)	Estimated Yield[2] (%)	Estimated Average Production and Packaging Cost	Total Estimated Cost
Salmon	1.73	70	2.65	5.82
Cod	0.16	70	1.80	2.09
Herring/ Kippers	0.055	70	1.14	1.22
Mackarel	0.0575	70	0.88	0.96
Char	0.69	70	1.88	2.88
Caplin	0.1375	70	1.03	1.18

[1]Source: DFO

[2]Source: Marine Institute: Salmon - 60% for Grade A - 40% for Grade B; Caplin - not gutted 90% - gutted 75%; all numbers are with skin on, if skin is off 8% is lost.

Table 2.4
Estimated Profit Margins
Smoked Fish Products

	Market Price Average ($/lb.)	Estimated Product Cost ($/lb.)	Estimated Margin ($/lb.)	Margin Ratio (%)
Salmon	8.30	5.82	2.48	30
Cod	3.00	2.09	0.91	30
Herring/Kippers	1.20	1.22	(0.02)	(2)
Mackarel	1.44	0.96	0.48	33
Char	5.61	2.88	2.73	49
Caplin	1.63	1.18	0.45	28

2.6 Existing Market Structure

In 1986, the Canadian market, other than Newfoundland, was the major market for Newfoundland smoked fish products. As can be seen in Table 2.5, Mainland Canada accounted for 55.3% of Newfoundland smoked fish sales, while the Newfoundland market represented 33.9% total sales and the U.S.A. accounted for 10.7% of total sales.

There is, however, a considerable amount of variation in the species consumed in each major market. Over 80% of the Province's smoked salmon, mackerel, caplin and cold cod production was sold in the Newfoundland market. Smoked cod is almost an exclusively Canadian-sold product (97.9% sold to Canadian markets).

Table 2.5

Markets for Newfoundland Smoked Fish Products by Species, 1986

Species	Total Market	Newfoundland		Canada		U.S.	
	($)	($)	(%)	($)	(%)	($)	(%)
Salmon	320,729	262,629	81.9	58,100	18.1	0	0.0
Cod	374,625	7,770	2.1	366,855	97.9	0	0.0
Herring/kippers	619,522	99,522	16.1	364,000	58.8	156,000	25.2
Mackerel	64,529	58,163	90.1	6,366	9.9	0	0.0
Char	29,816	21,091	70.7	8,725	29.3	0	0.0
Caplin	42,999	40,610	94.4	2,389	5.6	0	0.0
Cold Cod	4,875	4,875	100.0	0	0.0	0	0.0
Total Market	1,457,094	494,659	33.9	806,435	55.3	156,000	10.7

The only product sold in the American market was herring/kippers which accounted for 25.2% of the Newfoundland production of herring/kippers. Other markets for herring/kippers were Mainland Canada, 58.8% of total production, and the Newfoundland market which consumed 16.1% of total production.

Char was primarily consumed in Newfoundland, as 70.7% of all the char produced was sold domestically. It should be noted, however, that the total market for char was less than $30,000 in 1986.

2.7 Marketing Practices

This section of the report details the marketing practices of the survey respondents. The respondents were asked about the following marketing variables: pricing; packaging; product handling; promotion; sales effort; and salient factors in the purchase decision. Each variable will be discussed in turn.

2.7.1 Pricing

As can be observed in Table 2.6, salmon was the species which received the highest price per pound of any of the Newfoundland smoked fish products, commanding an average wholesale market price of $8.30 per pound. Char averaged $5.01 per pound and smoked cod was sold for an average price of $3.00 per pound. The remaining species processed all sold for less than $3.00 per pound. The average selling price for the remaining species was $1.43 per pound, with smoked caplin yielding the highest average price ($1.63/lb.).

Table 2.6

Market Prices of Newfoundland Smoked Products
(Wholesale)

	Low Price ($/lb.)	Avge. Price ($/lb.)	High Price ($/lb.)
Salmon	$4.70	8.30	10.00
Cod	2.75	3.00	3.25
Herring/Kippers	1.05	1.20	1.40
Mackerel	1.20	1.44	3.00
Char	5.50	5.61	6.00
Caplin	0.80	1.63	2.25

2.7.2 Packaging

The majority of the processors interviewed had vacuum packaging equipment. Most species processed were vacuum packed in bags ranging as small as 4 oz. (100g) with the most common size being a one pound retail pack. Only one producer indicated that they canned smoked caplin.

2.7.3 Branding

A wide variety of brand names were used with most of the producers using the house brand name. Two producers labeled with the "Sun Sea" brand name, although one of these producers was planning to change to a "house brand." Only one of the producers private labeled.

2.7.4 Promotion

There was no evidence of a co-ordinated promotional plan by any of the producers. Some producers have used trade shows, however, none employed promotional techniques such as brochures and advertising, direct mail and in-store demonstration programs.

All package design was completed in-house.

2.7.5 Sales Effort

There was a wide divergence in the methods used to place the smoked fish products in the market. Since 34% of the product is sold within Newfoundland, many of the smaller producers have developed their own distribution network to service the Newfoundland market place. The larger producers generally used a broker system which employs either in-house or contract brokers to deliver their product to the Canadian and U.S. markets. Small amounts of product were sold directly to retail and institutional buyers in Montreal and Toronto.

2.7.6 Salient Factors in Purchase Decision

There was no consensus among the producers as to the salient factors in the purchase decision. Most producers could not state what was important in the purchase decisions. Of those

that did reply, continuity of supply, packaging and pricing were mentioned.

2.8 Trends and Direction in the Smoked Fish Industry

There was a wide divergence of opinion among the processors as to the trends in the smoked fish industry. Some expressed concern about the competition from the Pacific salmon and from pen-reared salmon. One producer felt there was good growth potential in the local (Newfoundland) market, while another expressed concern about the poor economics of smoked cod and smoked caplin.

Although there was a degree of pessimism expressed by the producers, most were very interested in adding capacity and adding new product lines. All the producers surveyed stated they would be very interested in receiving technical assistance.

2.8.1 Central Marketing and Uniform Logo

There was no consensus on the benefits of either establishing a central marketing agency for smoked fish or developing a uniform logo/brand name for Newfoundland smoked fish products.

Some producers saw benefits of an inspection service which

controlled the product quality, while others were very adamant in their opinion that there would be few benefits of a co-ordinated industry-wide quality control program.

Access to markets was a central theme in reasons for not supporting a central marketing agency. One producer was totally against a uniform logo/brand name for the industry, while others saw the benefits of this concept only because they felt it would keep the "backyard" smokers under control. Only one producer saw the overall marketing benefits of such a strategy.

2.9 Summary of Production Sector

The value added by the smoked fish industry in Newfoundland is relatively insignificant, in terms of the national industry, with a total market value of approximately $1.4 million. The production effort is dominated by one large processor who processes 73% of the total production by weight and 45% by value. The production volumes of the remaining eight survey respondents totaled less than $800,000, of which $500,000 was sold in the Newfoundland market.

By concentrating on the local market, the processors, in general, have been production-oriented and have done little to

develop "out-of-province" markets. Considering that the industry is operating at less than 20% capacity there would appear to be few production constraints impeding the exploitation of new markets. However, given the relative lack of experience in marketing, both individually and collectively, the small producer has neither the resources nor the expertise to successfully expand the Newfoundland smoked fish industry to achieve its full potential.

SECTION THREE: QUEBEC AND ONTARIO MARKET

3.1 Introduction

The analysis of the Ontario and Quebec markets for smoked fish are based on fifteen (15) personal interviews with fish wholesalers and brokers in Toronto and Montreal.

This section of the report is further divided into four sub-sections: Market Size and Market Share by Source; Salient Factors in Selecting Source; Relative Strengths and Weaknesses of Market Participants; Promotional Programs of Market Participants; and Trends in Smoked Fish Industry.

A list of the respondents surveyed is provided in Appendix Two and the verbatim comments of the survey respondents are provided in Appendix Three.

3.2 Market Size and Market Share by Source

Smoked fish in Ontario and Quebec represents a 5.9 million pound market, with a wholesale value of $32 million. As Table 3.1 indicates, salmon accounts for 51% of the smoked fish product consumed and 75% of the value of the total smoked fish market in Ontario and Quebec.

Table 3.1

Estimated Size of Smoked Fish Market Ontario and Quebec

Species	Value (Pounds)	Percentage	Value ($)	Percentage
Salmon	2,989,000	51.0	24,272,000	75.1
Cod	967,000	16.5	2,890,000	8.9
Herring/Kippers	602,000	10.3	994,000	3.1
Mackerel	549,000	9.4	1,477,000	4.6
Char	258,000	4.4	1,226,000	3.8
Haddock	500,000	8.5	1,475,000	4.6
Total	5,865,000	100.0	32,334,000	100.0

Source: Market Survey

Next to salmon, cod was the dominant species consumed, slightly less than one million pounds with a value of $2.9 million. Herring/kippers, mackerel, char and haddock have markets of approximately 250,000 to 600,000 pounds with a value of approximately $1.0 million to $1.5 million.

3.2.1 Smoked Salmon

Since salmon represents over 75% of the total value of the smoked fish industry in Ontario and Quebec, additional analysis was undertaken for that product. Specifically, the salmon wildfish and pen reared harvest and salmon import data was analyzed. As can be observed in Table 3.2, the harvest of Atlantic Salmon represented less than 1% of the total salmon

available in the market. The total landings of Atlantic Salmon in the Newfoundland, Gulf, and Quebec regions in 1985 was 2.1 million pounds. This compares to 236.7 million pounds of salmon landed in British Columbia, 1.1 million pounds of pen-reared salmon and 53.0 million pounds of imports.

Table 3.2

Salmon Harvest and Imports by Volume and Value, 1985

	Volume (lbs)	Value ($)	Value per Pound ($)	Market Shar (%)[1]
I Wild Fish Landings				
Newfoundland	1,765,889	3,346,365	1.90	0.6
Gulf	173,341	349,328	2.02	0.1
Quebec	171,959	598,000	3.48	0.1
Total Atlantic Wild Fish	**2,111,189**	**4,293,693**	**2.03**	**0.7**
British Columbia	236,688,061	246,281,000	1.04	80.8
Total Wild Fish	**238,799,249**	**250,574,693**	**1.05**	**81.5**
II Aquaculture[2]				
Atlantic Aquaculture	881,840	2,730,000	3.10*	0.3
BC Aquaculture	264,552	819,000	3.10	0.1
Total Aquaculture	**1,146,392**	**3,549,000**	**3.10**	**0.4**
Imports[3]	53,047,085	46,513,000	0.88	18.1
Total	**292,992,726**	**300,636,693**	**1.03**	**100.0**

Notes:

1. Based on Volume
2. Value of Atlantic Aquaculture
3 Over 90% of the imports are from the U.S.

Sources: DFO; Marine Institute; DRIE; Statistics Canada Cat. #65-007

In the producers survey, several Newfoundland producers indicated they could not compete with Pacific smoked salmon. The fact that B.C. salmon was landed for an average of $1.04/lb. and Atlantic salmon was landed at an average cost of $2.03/lb. supports this claim. The smokers of B.C. salmon have a 50% raw material cost advantage over Newfoundland producers.

Some of the Newfoundland producers also expressed concern about competition from pen-reared salmon. This does not appear to be a valid concern because pen-reared salmon costs 50% more than salmon harvested in the Atlantic wild fishery and 200% more than salmon harvested in the Pacific wild fishery. Furthermore, most of the pen-reared salmon is destined for the "white tablecloth" market where the need for size, consistency and presentation justify the premium price.

3.2.1.1 Smoked Salmon Production Data

Table 3.3 summarizes the total Canadian smoked salmon market by product source in 1985. The total market for smoked salmon including imports approaches 3.2 million pounds, for a market value of $23.1 million.

Table 3.3

Total Canadian Smoked Salmon Market by Product Source, 1985

	Volume (lbs)	Value ($)	Value per Pound ($)	Market Share (%)
Domestic Production				
Newfoundland	21,639	152,798	7.06[5]	0.7
Gulf	47,919	431,271	9.00	1.9
Scotia/Fundy	30,864	217,941	7.06	0.9
Quebec	28,607	190,781	6.67	0.8
Sub Total - East Coast	129,024	992,791	7.69	4.3
British Columbia	1,646,836	11,547,000	7.01	50.1
Total Domestic Production	1,775,865	12,539,791	7.06	54.4
Other Canadian Production	1,073,000	8,947,786	8.34	38.8
Total Canadian Production	2,848,865	21,487,576	7.54	93.2
Imports	336,863	1,576,750	4.68	6.8
Total All Sources	3,185,728	23,064,326	7.24	100.0

Sources:
1. Department of Fisheries and Oceans.
2. Estimates from market survey.
3. Department of Regional Industrial Expansion, St. John's
4. Statistics Canada, Catalogue 65-007

These consumption and market value assessments are inconsistent with data collected in the wholesaler survey which yielded an estimate of the total Ontario market at 3.0 million pounds, for a value of $24.3 million. An attempt has been made to rationalize the discrepancies, however, because the data comes from different sources and is based on

different years, it has not been possible to totally reconcile the variance.

Domestic production was obtained from regional DFO centres for 1985, the last year when complete data was available. According to DFO, Atlantic Canada, including Quebec, produced approximately 0.13 million pounds of smoked salmon. B.C. smokers produced 1.65 million pounds of smoked salmon.

However, the production statistics do not capture salmon landed in one province and processed in another. The wholesaler survey revealed that a substantial amount of the smoked salmon consumed in Quebec and Ontario is purchased in an unprocessed form in B.C., transported to Central Canada and then smoked for local markets. The market survey estimated that total production was about 1.07 million pounds in 1986, of which over 80% (0.89 million pounds) was smoked in Quebec.

The total smoked fish production by Canadian producers is then estimated at 2.85 million pounds for a value of $21.5 million dollars. This production estimate does not include salmon smoked in provinces other than those identified in the table.

Import data on smoked salmon also proved problematic. Statistics Canada indicated that 840 thousand pounds of smoked salmon, smoked herring/kippers, and other smoked fish and salted products were imported into Canada during 1985, for a total value of $1.9 million. Smoked salmon was not separated from the general category described above.

To estimate an an order-of-magnitude of imported smoked salmon, therefore it was assumed that 40% of the volume and 85% of the value of the 1985 smoked fish imports was attributable to smoked salmon.
Based upon this calculation imported smoked salmon received an average price of $4.68 per pound. This price is consistent with the interviews conducted in Toronto which revealed that Norwegian smoked salmon was being landed for $4.50 to $5.00 per pound.

The most significant observation which can be made about the source of smoked fish products consumed in Canada is the relatively small contribution Newfoundland smoked salmon makes to the total market. Of the approximately 42 thousand pounds produced by Newfoundland, as reported by the producers, only 3,000 pounds were sold outside Newfoundland.

Table 3.4, which summarizes data collected in the wholesalers/brokers survey, tended to overestimate the market share of Atlantic salmon. Whereas the wholesalers and brokers interviewed estimated, on average, that Atlantic Canada had an 11.2% market share, production data provided by the Department of Fisheries and Oceans show only a 3.5% share. This apparent inconsistency, however, is partially explained by the fact that some Nova Scotia producers import Pacific salmon to Nova Scotia, smoke the product, and then ship the finished product to central Canadian markets. Since Pacific salmon costs 50% less than Atlantic salmon, this practice would appear to be economical.

Table 3.4

Ontario and Quebec Smoked Salmon Market by Source of Product

Total Market	2,990,000 pounds
Market Shares	
Atlantic	11.2%
Quebec[1]	30.6%
Ontario	11.2%
B.C.	43.0%
Norway	3.3%
Other	0.6%

1. Quebec and Ontario production was almost exclusively Pacific salmon which effectively raises the market share of B.C. salmon to 84.8%.

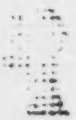
3.2.2 Smoked Cod

Smoked cod is approximately a one million pound market with Atlantic Canada accounting for over 83% of the production. The remaining smoked cod consumed in Canada was imported (13%), primarily from Scotland and Norway. A further 3% was smoked in Quebec and Ontario by producers who imported the raw material from Atlantic Canada. Newfoundland producers claimed exports of approximately 364,000 pounds which translates to a market share of 38%. The other Atlantic provinces represented a further 45% of the market.

The wholesalers and brokers surveyed indicated an average market price at wholesale of $2.99/lb. This was consistent with the Newfoundland producers who reported an average price of $3.00/lb.

3.2.3 Smoked Herring/Kippers

The total Ontario and Quebec market for herring/kippers was estimated to be 602,000 pounds by the buyers. Approximately 400,000 pounds originated in Atlantic Canada (65%), 10,000 pounds originated in Quebec (2%) and approximately 200,000 pounds (33%) was imported, primarily from Scotland. The Newfoundland producers indicated shipments of 280,000 pounds to the Canadian mainland.



Newfoundland producers reported average prices for smoked herring/kippers of $1.20 per pound, while the buyers reported average prices of $1.65 per pound.

3.2.4 Smoked Mackerel

Mackerel, according to the wholesalers/brokers, is a 550,000 pound market in Ontario and Quebec, with an average market price of $2.69 per pound. While the market survey indicated 86% of the smoked mackerel originated in Atlantic Canada, with 4% originating in Quebec and 10% imported, less than 4,000 pounds was reported shipped to mainland Canada by the Newfoundland producers. This would indicate that the Maritime provinces dominate the market for smoked mackerel in Ontario and Quebec.

The $2.69 per pound average market price at wholesale for smoked mackerel in Ontario and Quebec did not compare to $1.44 per pound reported by Newfoundland producers.

3.2.5 Smoked Char

The total market for smoked char in Ontario and Quebec was 258,000 pounds with a market value of $1.2 million, according to the wholesaler survey respondents. Atlantic Canada's producers had a 90% the market share according to the

wholesalers, with Quebec accounting for the remaining 10%. Newfoundland producers only shipped 1,500 pounds of smoked char during 1986. The source of the remaining production could not be identified.

The market price, at wholesale, for smoked char, averaged $4.75 per pound according to the wholesalers/brokers surveyed. Newfoundland producers reported an average price of $5.61per pound for smoked char.

3.2.6 Other Smoked Products

The market survey respondents reported a 500,000 pound market for smoked haddock, with a value of $1.5 million, all originating in Atlantic Canada. No Newfoundland producer however reported production of smoked haddock. The market survey respondents also reported small markets of smoked eel, sturgeon, and trout.

3.2.7 Market Destination

Smoked salmon, smoked char, and smoked haddock are primarily food service products as 61% of the smoked salmon and 65% of the smoked char and smoked haddock consumed in Ontario and Quebec was consumed by the food service industry. As can be observed in Table 3.5, approximately 85% of the smoked cod,

herring/kippers and smoked mackerel are consumed by the retail sector.

Table 3.5

End Users of Smoked Fish Products by Species

	Market Size (pounds)	Retail (%)	Food Service (%)
Salmon	2,989,000	39	61
Cod	967,000	84	16
Herring/Kippers	602,000	84	16
Mackerel	549,000	86	14
Char	258,000	35	65
Haddock	500,000	65	35

3.3 Salient Factors in Selecting Source

Consistent quality was the factor mentioned by almost every buyer as the most important factor in buying smoked fish products. Only one buyer mentioned price as the most important factor, although price was mentioned as the second most important factor by five of the fifteen respondents. Reliability of supply, package design and product appearance received an equal number of mentions as the second most important factor.

3.4 Relative Strengths and Weakness of Market Participants

The wholesaler survey respondents were asked to comment on the relative strengths and weakness of the four major groups of suppliers to the smoked fish industry--the Pacific coast producers, the Atlantic Canadian producers, the Ontario and Quebec producers and the European producers. While the respondents had varying degrees of familiarity with each of the market suppliers, several trends did emerge in the data.

As can be observed in Table 3.6, the Atlantic Canada producers received the fewest comments on strengths and the most comments on weaknesses. The strengths of the producers on the Pacific coast were quality, price, color, appearance, and their marketing programs. Several respondents mentioned that the "reddish" color of the Pacific smoked salmon was associated with high quality. However, with further probing, several respondents indicated that while knowledgeable trade people perceived the Atlantic smoked salmon product as a superior product, compared with Pacific smoked salmon, the end user did not have that perception. Moreover, the B.C. producers were reinforcing the linkage between red color and quality, and, in some cases, even adding artificial color. While there were fourteen strength comments made about Pacific producers, only six weakness comments were made. This would

indicate a relative level of satisfaction with the Pacific producers among the wholesalers surveyed.

Table 3.6

Strengths and Weaknesses Comments About Market Participants

	Pacific Producers (n)	Atlantic Producers (n)	Ont./P.Q. Producers (n)	European Producers (n)	Total Comments (n)
Strengths					
Color/Appearance	2				2
Quality	7		5	3	15
Price	4	1	1		6
Marketing Programs /Packaging	1		3	1	5
Flavour		2			2
Close to Markets		1	1		2
Unique/Premium Product				5	5
Subsidized				1	1
Total Strengths	**14**	**4**	**10**	**10**	**38**
Weaknesses					
Quality	1		1		2
Price	2	5	2	6	15
Marketing Programs /Packaging	2	1	2	1	6
Appearance/Color		5			5
Access to Market		1			1
Reliability of Supply		2		1	3
Other	1	2	1		4
Total Weaknesses	**6**	**16**	**6**	**8**	**36**

While the wholesalers surveyed were familiar with the Atlantic Canada smoked fish producers, there were few strengths identified by the buyers. The flavour (referring to Atlantic salmon) was mentioned by two of the fifteen respondents, while closeness to markets and price received one mention each. On the other hand, Atlantic smoked fish producers in general received more negative comments than any of the other market participants. Atlantic Canada smoked fish producers were perceived as having higher prices, poor product appearance/color, and poor reliability of supply.

Ontario and Quebec producers were perceived as having good quality and good flavour on the positive side. On the negative side, some of the buyers perceived the Ontario and Quebec producer as having too high a price and poor marketing programs.

The European producers were perceived as having a high quality product which was unique. The major weakness of the European producers was price.

3.5 Promotion Practices of Market Participants

Respondents of the wholesaler survey were asked what types of promotion were undertaken by the B.C., Quebec/Ontario,

Norwegian, and East Coast producers.

There is a general impression among the wholesalers, that there are very few promotion programs used by smoked fish producers. Most promotional vehicles were used by at least some producers, but generally there was no evidence of a well-co-ordinated promotional program.

Atlantic Canada producers received the most mentions as having neither advertising nor promotional programs. Magazine advertisments, trade magazines, and trade promotions were perceived to be used by all suppliers except the Norwegian producers. Given that Norwwgian producers do use trade magazines, this suggests that the advertising and/or the medium is ineffective. Producers in British Comumbia were the only ones identified as using brochures.

The survey respondents were asked what they would recommend to a Newfoundland smoked fish producer to become more competitive in the market place. While there was a whole variety of suggestions, several common themes emerged. First, quality was considered to be a factor on which future product sales should be based. Secondly, good packaging, particularly at the retail level, was emphasized. "Develop a good marketing

strategy" and "implement the program" was mentioned by several buyers. Interestingly, few buyers mentioned problems with the product itself. While mentioning product quality was certainly emphasized, no one recommended changes to the product.

3.6 Trends in Smoked Fish Industry

Respondents were asked their opinion of the growth potential in the smoked fish industry in Ontario and Quebec. Overall, the industry was perceived to have grown by 6% to 10% per annum since 1984 and the industry was expected to grow, on average, by 5% during 1987.

Respondents were asked to describe any trends they observed in the smoked fish industry. The consensus among the buyers was that, while it is a specialty market, they expected to see continued growth. The consumer was seen as being more educated and developing a more sophisticated palette. Future opportunities therefore exist for specialty products, such as smoked salmon mousse (mentioned by two respondents). Other buyers saw a trend to natural smoked products without additives. The impact of pen-reared salmon was mentioned as a potential threat to the industry.

SECTION FOUR: MARKETING STRATEGY

4.1 Introduction

The objective of this section of the report is to describe in detail a plan of action to increase the value of the smoked fish industry to Newfoundland producers.

The marketing strategy component of this study comprises the following sections: Existing Market Situation Review; Marketing Objectives and Strategy Recommendation; Industry Organization; Marketing Mix; and Budget.

4.2 Existing Market Situation Review

Newfoundland smoked products currently hold a 2% share of the Quebec and Ontario markets for smoked fish. For the higher value products, salmon and char, Newfoundland had an even smaller market share. Newfoundland producers shipped $24,000 of smoked salmon to markets in Ontario and Quebec, a combined market worth over $24 million, and shipped $8,000 of char to a market worth $1.2 million. With these very low market shares, there is unquestionably potential for growth.

Newfoundland smoked fish producers are perceived, by the buyers, as poor marketers, as being non-competitive, and being

an unreliable source of supply. Except for the presence of one integrated producer, the Newfoundland smoked fish industry is not a factor in Ontario and Quebec.

Operating at less than 20% capacity, growth of the Newfoundland smoked fish industry is not constrained by production capacity. Rather, the industry generally has not been successful in developing markets outside Newfoundland.

4.3 Marketing Objectives and Marketing Strategy

4.3.1 Marketing Objectives

The primary objective of any future marketing program must be to increase the value of shipments of Newfoundland smoked fish products to the Ontario and Quebec markets from $0.9 million per annum in 1986 to $5.4 million per annum by 1992. The specific sales objectives by species are presented in Table 4.1. There was excess capacity of over 4.0 million pounds in the Newfoundland smoked fish industry in 1986, so the addition of 930,000 pounds to the existing production output should not require additions to smoking capacity. Additional packaging and storage capacity, however, may be required.

The marketing strategy and accompanying marketing plan presented in this report addresses only the Quebec and Ontario

markets. Undoubtedly, additional markets exist in Western Canada and throughout the United States. Given the relatively early stage of development of the Newfoundland smoked fish industry, however, it is recommended that marketing efforts be concentrated in the Quebec and Ontario markets. Once the Newfoundland industry has gained product acceptance in Quebec and Ontario, further expansion can be considered.

Table 4.1

Sales Objectives By Species (1992)

	Estimated Market 1986 (lbs.)	Nfld. Shipments 1986 (lbs.)	Nfld. Market Share 1986 (%)	Value Nfld. Shipments 1986 ($)	Marketing Objective 1992 (lbs.)	Marketing Objective 1992 ($)[1]
Salmon	2,990,000	3,000	0.1	24,000	300,000	2,400,000
Cod	968,000	132,000	13.6	364,000	400,000	1,200,000
Herring/Kippers	612,000	280,000	46.5	462,000	400,000	660,000
Mackerel	550,000	3,600	0.7	10,000	100,000	269,000
Char	258,000	1,500	0.6	7,000	150,000	842,000
Total	5,377,000	420,100	7.8	867,000	1,350,000	5,371,000

1. At 1986 market prices.

4.3.2 Marketing Strategy

In assessing marketing strategy, four alternative strategies

should be considered, specifically:

(i) to increase the number of customers by stealing from the competition;

(ii) to increase the number of customers by bringing new, non-users into the marketplace;

(iii) to increase the loyalty of existing customers, thereby preventing the erosion of the customer base to competitors; and

(iv) to increase product use/purchase by increasing either the frequency of use or creating new users for the product.

Newfoundland smoked fish species each have a different market position. For that reason, strategies will be developed for each species.

4.3.2.1 Smoked Salmon Strategy

With less than a 1% market share, the most appropriate strategy for smoked salmon is to increase the number of customers by stealing from the competition. The competition in this case is clearly Pacific smoked salmon. Pacific smoked salmon essentially owns the Ontario and Quebec market with a 85% market share.

There are potential constraints which may impact the future development of markets for Newfoundland smoked salmon. The most significant constraint is the availability of raw material. The Newfoundland and Gulf regions harvested less than 2 million pounds of salmon in 1985 as compared with a wildfish harvest of 237 million pounds in British Columbia.

To achieve sales of 300,000 pounds of smoked salmon, the smoked processors must have access to over 400,000 pounds (20%) of the salmon harvest. Prior to the development of the marketing program required to penetrate the Ontario and Quebec markets with Newfoundland smoked salmon, the processors should have some assurances that there will be a wild fish salmon harvest of sufficient quantity over the next 5 to 10 years to supply the smoked industry with more than 400,000 pounds of unprocessed salmon annually.

As evidenced by end user consumption data, smoked salmon is primarily a food service product. Therefore, the target market for Newfoundland smoked salmon should be the hotel, restaurant, and institutional (HRI) trade. Furthermore, because the market in Ontario and Quebec associates quality with red color in smoked salmon, there is more likelihood of altering that view with a more educated food service buyer

than the retail consumer. A program designed to induce the trial of Newfoundland smoked fish among the HRI trade, which is identifiable and reachable, would be more successful than changing attitudes among consumers.

4.3.2.2 Smoked Char

The marketing strategy for smoked char is to increase the number of customers by bringing new, non-users into the marketplace. Char is only a 258,000 pound market in Ontario and Quebec. Rather than compete for this relatively small market, it is recommended that new markets in the HRI trade be developed. The HRI trade was selected because 65% of char is consumed in that sector.

4.3.2.3 Smoked Herring/Kippers

The recommended marketing strategy for smoked herring/kippers is to increase the number of customers by bringing new, non-users into the marketplace. Newfoundland currently holds 46% of the market so there would be no net benefit to Newfoundland producers to try to switch volume from one processor to another. Therefore, a recommendation to create new markets is made. Since 85% of smoked herring/kippers are consumed at the retail level, a marketing campaign targeted towards the retail consumer should be developed for this product.

4.3.2.4 Smoked Cod and Smoked Mackerel

The marketing strategy and target markets for smoked cod and smoked mackerel are similar. The primary strategy for both is to increase the number of customers by bringing new, non-users into the marketplace. Since approximately 85% of these products are consumed at the retail level, it is this segment of the market which should be targeted.

4.3.2.5 Other Smoked Products

Several specialty smoked fish products (products in sauces, cured/pickled products, etc.) were suggested as potential products for Newfoundland smoked fish processors. This niche strategy is totally inappropriate given the existing situation for the Newfoundland processors. Firstly, the niche markets tend to be very small and the processors, to date, with one exception, have not been successful in developing a presence in a $32 million market. Secondly, a niche market, by definition needs a good distribution system and it is very unlikely brokers would consider carrying such products from Newfoundland.

4.4 Industry Organization

Recognizing that most of the producers surveyed are against a

central marketing agency and using a uniform brand name and logo, it is still, in our opinion, the recommended marketing mechanism and forms an integral component of the proposed marketing program.

The principal rationale for making this recommendation is that the smoked fish producers, individually, do not have either the in-house resources or the in-house expertise to successfully implement the marketing program. The possible exception to this observation is the large integrated producer which is responsible for exporting all but approximately 12,000 pounds of Newfoundland's total smoked fish exports. Clearly, this producer has been successful in developing markets outside Newfoundland. At the same time, the remaining independent producers have not been successful in developing markets outside Newfoundland.

Individually, if the independent producers were able to improve their product quality, develop improved packaging and product quality, and establish a good working relationship with brokers and wholesalers in Quebec and Ontario, there would be tremendous duplication of effort.

There are two structures which the industry could evaluate to

introduce a unified marketing program.

Firstly, a co-operative marketing group which represented producers who wished to participate could be established. The co-op would set standards for product quality, develop systems for fairly buying product from co-op members, and implement the marketing program.

Secondly, a marketing organization which is private sector driven could be established. As a private sector organization (it could be one of the existing smokers), it would contract with producers for product which met specific quality, quantity, and delivery requirements, brand and/or package the product and sell the products in the Ontario and Quebec markets. Many of the functions of each type of organization would be similar to that of a traditional broker, however, the private sector organization would go a step beyond and take ownership of the product and develop marketing and sales programs, not just sales programs.

It is our recommendation that a private sector organization take on the challenge of marketing smoked fish products outside Newfoundland. The large processor who has been successful in developing markets outside Newfoundland would

probably not participate. This processor can work without such support. Clearly, the other processors have not been successful outside Newfoundland and need dedicated marketing support.

The private sector organization should be market driven. This implies that should one of the small producers not be willing to participate with the marketing organization the processor has that option. However, it will be the selling and marketing skills of the private sector organization which will "sell" the processors on the concept.

It would be the private sector organization which should be charged with implementing the marketing plan.

4.5 Marketing Mix

There are four elements of the marketing mix: product; pricing; distribution; and promotion. Each will be addressed in turn.

4.5.1 Product

For the products under consideration, the most important components of the product mix are quality and packaging. While there may be opportunities for new product development,

the greatest opportunity is to develop existing markets in Ontario and Quebec.

The importance of product quality cannot be understated. For the smoked salmon market, where the strategy is to steal customers from the B.C. producers, this strategy will not be successful without a high quality product. For the smoked char, cod, herring/kippers, and mackerel products where the strategy will be to bring new users into the market, the first exposure to the product is important if the customer is to become a regular user.

Packaging, particularly at the retail level, is extremely important. It is recommended that a professional package design firm be contracted to develop packaging for the retail products. One of the key variables will be portion sizes. Package design is not simply the design of a vacuum pack bag. The design firm should consider: (1) how the product is used; (2) optimum portion size; and (3) how best to restore the product without significant quality deterioration. While package design is important in the retail packages, it should not be overlooked for the HRI trade.

The reliability of supply is another important consideration

among the buyers of smoked fish products in Quebec and Ontario. Since the harvest of some of Newfoundland's fish products is seasonal, particularly for salmon, the smoked fish industry will have to make the committment to process the product during a relatively short time frame and deliver the finished product to market as required. If the industry is not prepared to make this commitment, then they should not try to develop markets for products with seasonal harvests.

4.5.2 Pricing

A variety of pricing strategies should be considered. As a product trying to steal customers from a market leader, smoked salmon will have to be priced at or below market. Given the power that the brokers have in the distribution channel it will not be possible to intice them to carry the product without at least the same margins they have been achieving from Pacific salmon. Therefore, it would be inappropriate to premium price Newfoundland produced smoked salmon.

For the remaining products, where new users are not as familiar with the market price structure, there may be some price elasticity. Counterbalancing that point is the need to give good margins to retailers in order to induce them to provide shelf space.

4.5.3 Distribution

The traditional broker in Ontario and Quebec should be used to distribute the products. To induce the broker to carry and support the products, however, it will be important to provide a high level of trade support and promotional programs.

4.5.4 Promotional Program

The target markets for smoked salmon and smoked char are the HRI trade while the target markets for smoked cod, smoked mackeral and smoked herring/kippers are consumers. Therefore, two promotional programs will be developed, one for HRI and the second for retail.

4.5.4.1 HRI Promotional Program

The HRI promotional program consists of four elements described below.

Trade Support Program: Brochures - A full-color food service brochure should be developed. It is important to provide product information such as portion size, case sizes and case weights. Emphasis should be put on the finished product, with quality and the benefits of Atlantic Salmon the selling points. There would be no benefit to showing the processing plant. The brochure should be developed in year one and reprinted during year three.

Trade Deals: Case allowance and samples should be used to induce trial among the trade. This element will be used throughout the five-year program.

Trade Advertising: Advertising will be limited to full-color advertisements in trade magazines. This will be an ungoing element of the promotional program.

Product Demonstration: An allowance of $7,500 per year is recommended to product demonstrations. The target for this program should be chefs in high-profile restaurants.

4.5.4.2 Retail Trade Program

The retail program has been designed to provide strong trade incentives while providing an opportunity for consumers to try the product. The program has eight elements over a five-year program. Each will be discussed in turn.

Listing Allowance: Given the extreme competition for shelf space in supermarkets, it is recommended that an allowance be made to buy listings in select chains. This expense will be required for the first three years of the program.

In-Store Demonstrations: An integral component of the consumer trial program is supermarket demonstration programs. This promotional element will be required for the first three years of the program.

Publicity Program: It is recommended that a public relations program be developed which will heighten awareness of Newfoundland smoked fish products. The cost of paid advertising is so high in Central Canada that a paid advertising program would be prohibitive. The publicity program would be designed to create awareness. This program should be weighted heavily during the first three years with reduced budget allocation in years four and five.

Retail Support: Shelf talkers, point of purchase displays, and product displays should be used throughout the program.

Recipe Program: Since the strategy for the retail products will be to attract new users to the product category, there should be a program developed to show consumers how to prepare and serve the product. The most appropriate vehicle for this is recipe cards or a recipe book. This promotion element should be carried in conjunction with the demonstration program.

Brokers Incentives: To entice the brokers and wholesalers to carry and continue to support the products, incentives are recommended throughout the five-year plan.

Product Brochure: Similar to the HRI brochure, this program element will be targeted towards buyers at supermarkets and speciality fish stores. The brochure would be used by the brokers and should meet their design specifications.

Special Promotion: A small contingency budget to take advantage of opportunities as they arise during the later years of the program has been allocated.

4.6 Budget

A five-year budget of $520,000 is recommended to implement the marketing strategy. Based on the marketing objectives the budget will be 3% to 5% of sales over the planning horizon.

As can be observed in Table 4.1 these proposed marketing expenditures are higher in the early years and decline to a sustaining level of approximately $60,000 to $70,000 in years four and five.

This budget should be obtained from the following sources:

1. The primary source will be the margins the private sector organization achieves by purchasing smoked product from Newfoundland producers and remarketing the product to brokers.

2. During the initial years, it will be necessary to provide market development support to the industry, preferably through a private sector broker as discussed earlier.

3. To take some of the risk, and attract a private sector organization to undertake the program, it probably will be necessary to provide working capital financing and discounted cold storage.

Table 4.1
Proposed Marketing Budget

	Year 1	Year 2	Year 3	Year 4	Year 5
Package Design	$15,000	$5,000			
Promotional Program					
HRI Trade:					
Brochure	7,500		2,500		
Trade Deals	20,000	10,000	10,000	10,000	10,000
Advertising	25,000	25,000	25,000	25,000	25,000
Product Demonstrations	7,500	7,500			
Total HRI Trade	$60,000	$42,500	$37,500	$35,000	$35,000
Retail Program:					
Listing Allowances	10,000	10,000	10,000		
In-store Demonstrations	20,000	20,000	10,000		
Publicity Program	25,000	20,000	25,000	5,000	5,000
Retail Support	10,000	5,000	5,000	5,000	5,000
Recipe Program	10,000		10,000		10,000
Brokerage Incentives	10,000	5,000	5,000	5,000	5,000
Product Brochure	7,500		3,000		
Special Promotions		10,000		10,000	10,000
Total Retail Program	$92,500	$70,000	$68,000	$25,000	$35,000
Total Budget	$167,500	$117,500	$105,000	$60,000	$70,000
Cumulative Budget	$167,500	$284,500	$390,000	$450,000	$520,000

APPENDICES

APPENDIX ONE

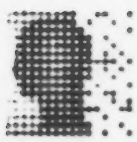
LIST OF NEWFOUNDLAND PRODUCERS SURVEYED

APPENDIX ONE: LIST OF NEWFOUNDLAND PRODUCERS SURVEYED

Company	Contact Person
Eastern Ocean Products	Bob Wilton
P. Janes & Sons Ltd.	Jeff Gulliford
Bay Roberts Seafoods	Bill Russell
Village Seafoods	Harvey Best
Calvert Fish Processors	Con Sullivan
Dept. of Fisheries (Provincial)	Nelson Stagg
National Sea Products	Tom Puddester
Beothuck Fish Processors Ltd.	Tom Hallett
Icthus Sea Products Ltd.	Eric Oram

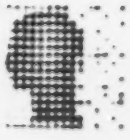
APPENDIX TWO

LIST OF WHOLESALERS/BROKERS SURVEYED



APPENDIX TWO: LIST OF WHOLESALERS/BROKERS SURVEYED

Company	Contact Person
MONTREAL	
Clouston Foods Canada Ltd.	M. Andre Roger
Marshall's Fish Market	M. Jean Lambert
Waldman's	Mr. Arsenault
West India Trading Co.	Brian Bourne/ Terry Wrigley
Giti Fish Inc.	Eric Pinsky
Modern Fisheries Co.	Joe Piccolo
St. Lawrence Fisheries	M. Robillard
TORONTO	
All Seas Fisheries Ltd.	Gerry Battaglia
British Columbia Packers	Art Jefferson
Toppits Foods Ltd.	Jack Gremont
St. Lawrence Foods Ltd.	Sherry Stewavey
Jan K. Overweel Ltd.	Dwayne Graham
Jako Fish Trading Co. Ltd.	Phil Krant
Van Horne Fish Distributors (Ont.) Ltd.	Nino Cicirello
Booth Fisheries	Tony Balis



APPENDIX THREE

SUMMARY OF VERBATIM COMMENTS
WHOLESALER/BROKER QUESTIONNAIRE

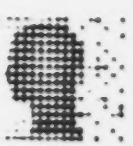
APPENDIX THREE: SUMMARY OF VERBATIM COMMENTS - WHOLESALER/ BROKER QUESTIONNAIRE

1. Could you tell me a bit about your business?

- Largest seafood distributor in Montreal and largest retail store in Canada serving restaurants and hotel trade.
- Export trading house wholesaler. 95% business Caribbean.
- Wholesale distributor of fish.
- Seafood, wholesale importers.
- Wholesale seafood, fish distribution.
- Food broker and we sell to distributors.
- Wholesale and retail fish.
- New product that we introduce to distributors.
- Importers - sell to ten large distributors.
- Strictly Importers. From Scotland - Supplies Premium Brand-McRae.
- Very large distributing outlet. Heavy in both retail and food services. Both smoked and fresh.
- Buying farm raised salmon. Very large distributors.
- Import from Holland - smoked substitute. Demonstrate the product selling and demos.

2. Could you describe the smoked fish market as it exists today in ONTARIO (QUEBEC).

- Big item, smoked salmon but there is all kinds of smoked fish and sturgeons.
- Good sales of smoked herring - all export. Three markets Dominican Republic, Sri Lanka, Trinidad.
- Basically, the biggest seller is smoked salmon, also trout, and cod.



- Mostly smoked salmon, bit smoked cod, herring and that's it.
- There is an expanding market for smoked fish, mostly salmon and sturgeon with some trout and limited demand so far on smoked mackerel.
- Couple items moving well in Quebec, smoked salmon. Far away trout and filets, much more in Ontario.
- It's not a big part of our sales, maybe 2 - 3 % as a whole.
- It's in specialty fish stores. Growing market - chain stores.
- A weak market, no marketing strategy, no supply directive.
- Not too large a market. Possibility of growth.
- Basically an ethnic market. Have their own smokers. Sockeye salmon.
- A big market. A number of good local smokers.
- Good market. Potential of growth.
- Not growing in the same sense as fresh/frozen fish. Winds up in dead space counters.

3. What factors are important to you when purchasing smoked fish products.

- Quality, appearance, packaging quality and prices (the locality of the suppliers as well).
- Quality and pricing.
- Price is basically the most important and quality.
- Smoked factors & frozen & from Quebec.
- Quality, reliability of supply, package design, ease of use.
- Quality, availability of products towards our marketing program.
- Quality, the look, the price. A product that conserves itself well.

- Thick chunks as opposed to thin filets. Convenience, eye appeal.
- Quality, continuity of supply, price, ability to communicate openly.
- Quality and price.
- Quality, offering good value for the money.
- Quality. Price is secondary.
- Quality. What the customer wants - A certain degree of finesse in the finished product.
- Quality and price.
- Quality and no additives.

4. (a) How competitive are Pacific smoked fish products in the market?

Strength:

- None.
- Bright red, attractive.
- Very competitive.
- The quality.
- If I was a West Coast producer, I would have access to top quality raw material.
- Quality is right, not a factor it's mostly local St. Alfonse, St. Timothy.
- They have the biggest share of the smoked salmon market (Coho) very red.
- Price decreasing - nice and red colour of the salmon. Flushed.
- Consumers aware of Pacific salmon catch considerably larger. Good marketing/advertising.

- Quality - specifically the salmon.
- Greater variety. Reasonably priced sockeye salmon.
- Smoked salmon.
- Affordable to the average consumer. Stands up better. Better flush. 95% sold in Canada from the Pacific.
- Good quality salmon. Well priced.
- Sell only Pacific salmon to Europe. Perception in Europe determines the sale of the Pacific fish. Large salmon market.

Weaknesses:

- Not really marketers. Anybody can buy it and smoke it here.
- Flavour
- Too many companies trying to get in business, too many suppliers for volume needed.
- Prices are higher.
- They're not predominantly asked for - never promoted it here.
- They bring the rough material from B.C. in the marketing.
- Blood spots in the products.
- None
- Nothing else except salmon.
- High price.
- None really.
- Apart from salmon, nothing else to talk about.
- None - save apart from salmon, they don't really have anything else.
- Nothing else to offer beside salmon.

- None really.

4. (b) How competitive are EAST COAST smoked fish products in the market.

Strength:

- Not really marketers.
- Flavour, beautiful fish.
- None. We don't handle.
- We don't sell.
- Very competitive, produced East Coast. Price wise they are competitive.
- Atlantic salmon is a specialty.
- Don't know.
- Cod and kippers - main strength.
- Reasonably close to us. Have the species.
- Dominate the cod market.
- Dominate the smoked cod market.
- Cod. Dominate the cod market. Primarily because the Pacific has nothing to offer in the way of cod.
- Can grow fish and sell it.
- AFS salmon - food products.
- Main strength - cod.

Weaknesses:

- Not really marketers.
- Poor colour.
- Salmon. West Coast already established colour of salmon very red.

- Because of the colour, maybe the taste.
- The distance from the salmon fishing ground for smoking salmon.
- Non competitive. Prices too high.
- Pale colour, looks less appetizing.
- Smoked products especially salmon poor. High price.
- Unreliable. Totally undependable. Too expensive. Quality can't be guaranteed. No marketing techniques.
- Reputation to deliver is very poor. More expensive than the B.C. salmon.
- Only one variety. Too expensive.
- Higher price for salmon. Cater basically to the American market - Boston.
- Bad smoked fish. Poor packaging, high price.
- Nothing really except poor marketing strategy. Need more promotions.
- Contains additives. Don't see it worthwhile to carry their brands. Too many preservatives.

4. (c) How competitive are **LOCAL (ONTARIO/QUEBEC) smoked** fish products in the market.

Strength:

- They are on the market. I look after their distribution, packaging adapted to this market.
- Good demand. Very competitive.
- Not produced being smoked here.
- We don't sell.
- Very competitive, very sought after. St. Timothy has done a good promotion job - promoters aggressive.

- They owned the market. 60% to 70%.
- Packaging (vacuum pack) better looking. Very satisfied with the quality.
- Good small packages. Readily available to the average consumer.
- Proximity the only strength I can think of.
- Good quality and good prices.
- Handful of very good smokers. Smoking fish directed towards the Jewish trade.
- Can't think of any. None used locally in Toronto.
- Good smoked fish. Ethnic/Jews very partial to smoked fish.
- Know better about smoked products than most.
- Better smoked finished products.

Weaknesses:

- None that I can think of.
- Prices - making it with flavours.
- Too many companies for limited business. Prices determine where you're buying from.
- Too many smokers and a limited market.
- Marketing disorder. There's no policy to obey, have to go to the right channel.
- None.
- Selective Market.
- Inconsistency of quality float on whatever the market is doing. Don't promote the products.
- Restricted market.
- Only restricted market.

- Cater to the Americans.
- Restricted market.
- No effective advertising or promotions.
- Marketing strategy poor. Should distribute through someone who has the listings.

4. (d) How competitive are European (Norwegian/Scottish/Irish) smoked fish product in the market place?

Strength:

- Some unique product certain brands (herring). Very little almost none. A few other specialty items.
- Heavily subsidized by government - they'll undercut to introduce aquaculture. Packaging excellent.
- Don't know, don't deal at all.
- Don't know, we don't sell.
- They are not except one who has a foothold.
- Non existent.
- Don't sell it. Don't know.
- Status symbol. Premium brand.
- Superior packaging. Far superior quality.
- Premium brand especially for kippers.
- Scottish kippers.
- Kippers from Scotland.
- Ways for processing far better. Fresher salmon from Scotland.
- The best in the market. No comparison.
- Quality is far superior.

Weaknesses:

- None.
- Good, but we already have the commodity.
- Don't know, don't deal.
- Don't know, don't sell.
- McKay (Scottish) mostly herring products - lack of aggressiveness on the part of the broker.
- Don't sell.
- High priced - selective clientele - upper class.
- Continuity of supply. Higher price - average consumer can't afford it. No advertising.
- Average consumer can't afford it. Very small market.
- Limited market.
- Too expensive for the everyday consumer.
- Expensive - Premium price. Leads to a restricted market. Caters to the rich.
- Premium price - restricted market size.
- Premium price - restricted market.

5. What kind of promotion do the:

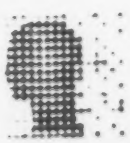
B.C. producers undertake

- some magazine ads, free offering occasionally.
- Not much
- Customer service.
- Don't do much.
- None.

- Nothing special.
- Not much
- Mag. adds pushing canned salmon, good for cholesterol, etc.
- Promotion and advertising.
- Heavy advertising and promotions.
- Established, don't really undertake any.
- Can't think of any.
- Brochures.
- Brochure.
- Brochures - promoted mostly in the States.

Ontario/Quebec producers undertake

- Price offering, demonstration.
- Fairly good representation, magazines and flyers.
- Customer service.
- Look after customers. Quebec - lower prices.
- Salmon, mousse souffle, demonstration.
- Trade magazines.
- Nothing concrete.
- Market - Detroit - trout farmers.
- Nothing really.
- Advertising and promotions with large brokers.
- Haven't seen any.
- Can't think of any.
- Nothing



. Local promotions - Nothing much to speak of.

Norwegian producers undertake

. No

. Don't know

. Same, brokers.

. None

. Not a factor

. None

. Basic availability, fresh salmon year round.

. Only in the States.

. Heavier in the States.

. Basically the States.

. Promotions - Heavy on trade fairs.

. Producer films and videos.

. Recipe cards. Active demonstrations in trade shows.

East Coast Producers undertake

. Occasional free offerings.

. Same as Quebec, magazines and flyers.

. Customer service.

. Nothing.

. Very few. Food product show.

. Regular promotions, Christmas, Easter - Trade magazines.

. None.

- National Sea - advertising Highliner pushing cod, not salmon.

- Nothing.

- Negligible. No established brand names.

- Nova Scotia might be better recognized more cozy with some of the powerful food editors.

- Nothing. - No promotions.

- None.

- Haven't seen any.

- None. Haven't seen any.

6. What are some of the trends you see in the smoked fish business?

- Remains a specialty, different methods of smoking, improvements in packaging of food service. It's strictly quality and fast.

- Naturally smoked product, no chemicals - traditional.

- Food service. Know what they want, not open to change. Price, quality.

- I don't see anything coming up, but we sell more.

- Greater use of by-products, (smoked salmon mousse) or smoked salmon rolls and spreads.

- With the expensive specialty items, there's a future for more than the smoked salmon in Quebec compared to the smoked fish market in Ontario.

- New product - salmon mousse creating new habits with the customers.

- Education of the people to increase business - making the consumer more aware.

- People being educated towards a more sophisticated palette.

- Growing market - specially with steps undertaken to educate the average consumer.
- Chances of a slight growth.
- No chance of going up. Probably slip down a few notches- the smoked market in general.
- A slight growth. Educated consumer.
- Bigger market - great potential for growth.
- Don't see any growth potential in frozen smoked. Salmon would grow because of many farms that have been established.

7. What would you recommend to a Newfoundland smoked fish producer to become more competitive in this market place?

- I'd establish good quality products, consistency, properly priced, presented and good representation on the market place.
- Less salt, cure their (herring) 15 - 20 minutes in salt. Mechanical smoking on sheet flat (cause of collection of grease).
- Be in the price range. He's established in cod and herring. The right package.
- The whole of the salmon, it has to be red - the look, the flavour.
- Investigate what the market wants (survey). Imitate and improve what's wanted.
- He would have to smoke cod, herring, kippers, but not Atlantic salmon.
- Promotion, sample of new products seasonal, packaging very new products.
- Develop a brand name and then work on it. Campaign with restaurants.
- Learn from scratch the basic marketing techniques. Improve the packaging 100%. Build a reputation for reliability.

- Heavy promotions. Showing the end user what the finished product is really like.

- Should be doing a good quality smoked cod and kippers. Brand identification is vital along with smaller packaging.

- Nothing really as I expect the smoked market to slip down in the future.

- Improve their packaging. Learn how to smoke fish. Be up on good marketing strategy.

- Improve the quality and price. More advertising - something like the European promotions.

- Good packaging. No additive products. Should have proper point of sale material to back it up.

8. Additional respondent comments.

- Vacuum packaging, fast and fresh. Competitive in future.

- Reliability of product consistency.

- Prices should be competitive - it's more expensive to have Pacific salmon.

- Attached brochure - Feels Newfoundlanders should do something along those lines.

- Promotional display in the chain stores.

- Continuity of supply is vital for both growth and better/larger sales.

APPENDIX FOUR

PRODUCER QUESTIONNAIRE

Client: Department of Fisheries Draft: Pretest #1

Job #: 87-214 Product: Smoked Fish

Name of Processor: _____

Location: _____

Name of Respondent: _____

Respondent's Phone Number: _____

Date of Interview: _____

Interviewer: _____

1 (a) How would you describe your smoked fish production?
(GET INFORMATION ON SMOKER, CAPITAL COST, # OF TROLLEYS, BRAND NAME, AUTOMATED/MANUAL)

_____

_____

(b) What percent utilization are you achieving given your present production? _____%

(c) What type of process (hot/cold)? _____

(d) What types of wood to you use? _____

_____

(e) Is wood availability a problem? _____

_____

(f) What type of packaging do you use? _____

_____

(g) What brand names (if any) do you use? _____

_____

Do you private label? _____

2. What types of promotion have you undertaken in promoting your smoked products?
Trade show attendance _____

_____

Brochures _____

_____

Package Design _____

_____

Advertising/Direct Mail _____

_____

Sales Calls _____

_____

(a) Where do you get your raw materials? _____

_____

(b) In which year did you start smoked fish production? _____
ASK QUESTION #4

3. What was your total smoked fish production in

1985 _____ lbs. 1984 _____ lbs.

4. What are the names of the Canadian Brokers/wholesalers which you sell your smoked fish product?

Name	Location	Product(s)

Smoked Fish Market Study Job # 87-214

(a) The next thing we would like to know are the production volumes for specific smoked fish products produced during 1986. For each of your products what was the amount you produced and the amount you sold?

(b) What was your production cost (not including raw materials) and your packaging cost?

(c) For each product sold during 1986 what was the LOW PRICE AVERAGE PRICE HIGH PRICE (Canadian Dollars)

(d) Which season has the PEAK market demand and which season has the LOW market demand.

(e) How much of your sales (in pounds) during 1986 were in each of the following markets.

	(a)		(b)		(c)			(d)		(e) Sales				
Product	Volume Produced (lbs)	Amount Sold (lbs)	Production Cost Per lb.	Packaging Cost Per lb.	Low Price Per lb.	Average Price Per lb.	High Price Per lb.	Market Demand High Season	Low Season	Nfld (lbs)	Canada (lbs)	USA (lbs)	Europe (lbs)	Other (lbs)
Salmon														
Salmon Slices														
Cod														
Herring/Kippers														
Mackeral														
Char														
Other #1														
Other #2														
Other #3														

7. When you are dealing with brokers and wholesalers, what factors are important to them in buying your smoked fish products?

_____

_____

_____

8. What, if anything, have you done to develop new products?

_____

_____

_____

_____

9. What are some of the trends you see in the smoked fish market?

_____

_____

_____

_____

10. How interested would you be in
    (a) adding smoked fish capacity if the market could support the additional capacity?
    (b) developing new products?
    (c) receiving technical assistance from government/Inst t. ons

	Add. capacity	Develop New Products	Technical Assistance
Very interested	[ ]	[ ]	[ ]
Somewhat interested	[ ]	[ ]	[ ]
Not at all interested	[ ]	[ ]	[ ]

11. What are your feelings about setting up a central marketing agency for marketing Newfoundland smoked fish?

_____

_____

12. Do you think there is any advantage of establishing a uniform logo/brand name for Newfoundland smoked fish?

_____

_____

APPENDIX FIVE

WHOLESALER/BROKER QUESTIONNAIRE

Client: Department of Fisheries

Type: Broker/Wholesaler

Job #: 87-214

Product: Smoked Fish

Name of Broker/Wholesaler: _____

Location: _____

Type of Respondent: _____

Name of Respondent: _____

Respondent's Phone Number: _____

Date of Interview: _____

Interviewer: _____

---

1. Could you tell me a bit about your business?

2. Could you describe the smoked fish market as it exists today in ONTARIO (QUEBEC)

3. What factors are important to you when purchasing smoked fish products?

4. (a) How competitive are Pacific smoked fish products in the market?

Strength:

Weakness:

(b) How competitive are EAST COAST smoked fish products in the market?

Strength:

Weakness:

(c) How competitive are LOCAL (ONTARIO/QUEBEC) smoked fish products in the market?

Strength: _____

_____

Weakness: _____

_____

(d) How competitive are European (Norwegian/Scottish/Irish) smoked fish product in the market place?

Strength: _____

_____

Weakness: _____

_____

54. Compared to 1986, would you say the total market size for smoked fish in

1984 was lower [ ] or higher [ ] or the same [ ] By how much_____

1985 was lower [ ] or higher [ ] or the same [ ] By how much_____

1987 will decrease [ ] or increase [ ] or be the same [ ]
By how much_____

6. What kind of promotion do the

B.C. producers undertake _____

Ontario/Quebec producers undertake _____

Norwegian producers undertake _____

East Coast producers undertake _____

7. What are some of the trends you see in the smoked fish business?

_____

_____

8. What would you recommend to a Newfoundland smoked fish producer to become more competitive in this market place? _____

_____

9. ADDITIONAL RESPONDENT COMMENTS _____

_____

_____

Smoked Fish Market Study

(a) First we would like to know your estimates of market size for specific smoked fish products were during 1986.

(b) What is your estimate of market shares for RETAIL versus FOOD SERVICE

(c) What would by your estimate of the market shares by producer location for each of the following products.

(d) During 1986 what were the AVERAGE market prices for each the products? (THAT RESPONDENT PAID)

(e) What percentage were marketed as fresh versus frozen?

	--(a)---	-----(b)------		----------(c)----------						-----(d)-----	------(e)-------	
				Source								
Product	Market Size (lbs)	RETAIL (%)	FOOD SERVICE (%)	Atlantic (%)	Quebec (%)	Ontario (%)	BC (%)	Norway (%)	Other (%)	Average Price Per lb.	Fresh %	Frozen %
Salmon												
Salmon Slices												
Cod												
Herring/Kippers												
Mackeral												
Char												
Other #1												
Other #2												
Other #3												

7. When you are dealing with brokers and wholesalers, what factors are important to them in buying your smoked fish products?

_____

_____

8. What, if anything, have you done to develop new products?

_____

_____

_____

9. What are some of the trends you see in the smoked fish market?

_____

_____

_____

10. How interested would you be in
(a) adding smoked fish capacity if the market could support the additional capacity?
(b) developing new products?
(c) receiving technical assistance from government/Institutions?

	Add. capacity	Develop New Products	Technical Assistance
Very interested	[ ]	[ ]	[ ]
Somewhat interested	[ ]	[ ]	[ ]
Not at all interested	[ ]	[ ]	[ ]

11. What are your feelings about setting up a central marketing agency for marketing Newfoundland smoked fish?

_____

_____

12. Do you think there is any advantage of establishing a uniform logo/brand name for Newfoundland smoked fish?

_____

_____

?. What types of promotion have you undertaken in promoting your smoked products?

Trade show attendance _____

_____

Brochures _____

_____

Package Design _____

_____

Advertising/Direct Mail _____

_____

Sales Calls _____

_____

(a) Where do you get your raw materials? _____

_____

(b) In which year did you start smoked fish production? _____

ASK QUESTION #4

. What was your total smoked fish production in

1985 _____ lbs. 1984 _____ lbs.

. What are the names of the Canadian Brokers/wholesalers which you sell your smoked fish product?

Name	Location	Product(s)

Client: Department of Fisheries Draft: Pretest #1

Job #: 87-214 Product: Smoked Fish

Name of Processor: _____

Location: _____

Name of Respondent: _____

Respondent's Phone Number: _____

Date of Interview: _____

Interviewer: _____

---

1 (a) How would you describe your smoked fish production?
(GET INFORMATION ON SMOKER, CAPITAL COST, # OF TROLLEYS, BRAND NAME, AUTOMATED/MANUAL)

_____

_____

(b) What percent utilization are you achieving given your present production? _____%

(c) What type of process (hot/cold)?_____

(d) What types of wood to you use? _____

_____

(e) Is wood availability a problem? _____

_____

(f) What type of packaging do you use? _____

_____

(g) What brand names (if any) do you use?_____

_____

Do you private label? _____